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UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

Administrative Bulletin No. 6

SUBJECT: Use of General or Other Non-Loan Funds by Borrowers For Extensions or Additions; Reimbursement of Such General Funds Expenditures From Loan Funds

POLICY:

1. It is the responsibility of borrowers to determine the proper use and expenditure of their general funds. The Rural Electrification Administration, in representing the interest of the Government as mortgagee, and in furtherance of the objectives of the Rural Electrification Act of 1936, as amended, is properly concerned that expenditures of general funds, or other expenditures for additions or extensions to the borrower's system shall not impair the Government's security or the accomplishment of the objectives of the RE Act. To the extent that the provisions of the loan and security documents require the Administrator's approval for the construction or acquisition of extensions or additions to a borrower's system, approval is hereby given for the use of general funds for such extensions or additions subject to the following conditions:
 - a. That such extension or addition is within the scope of the borrower's corporate powers and that applicable provisions, if any, of federal and state law are complied with by the borrower;
 - b. That the Administrator has not taken any specific action with regard to the particular borrower indicating otherwise;
 - c. That the borrower is not in default in the payment of its obligations to the Government;
 - d. That such use does not obligate future revenues of a borrower for the payment of such extensions or additions or result in a foreseeable default in the payment of any of such borrower's obligations; and

- e. That the construction or acquisition of primary lines or member extensions is not in excess of 5000 feet per single phase extension or the purchase of general plant items is not in excess of \$2000 per item.
- 2. If a borrower desires to use general funds for the purpose of constructing or acquiring an extension or addition to its system or the purchase of a general plant item but is unable to meet the conditions set forth in paragraph "1" hereof, such borrower shall obtain prior REA approval for such construction or acquisition.
- 3. In any event, the borrower shall not construct extensions or additions which involve service to persons already receiving central station electric service at the time such extension or addition was made, without the consent of the existing supplier.
- 4. If a borrower uses general funds for the purpose of constructing or acquiring an extension or addition to its system or the purchase of a general plant item, consideration shall be given to subsequent reimbursement from REA loan funds only if the following conditions are satisfied:
 - a. The borrower has already received one or more loans from REA and the general plan and program are thus known to REA;
 - b. The expenditures thus sought to be reimbursed are in accordance with such general plan or program and in accordance with the objectives of the RE Act (self-liquidating Government loans, area-coverage rural electrification, etc.);
 - c. The construction (or acquisition) meets REA standards;
 - d. The borrower complies with paragraph "1" or "2" of this Bulletin;
 - e. The proposed reimbursement is determined to be consistent with the RE Act; and
 - f. Loan funds are available for the purpose of such reimbursement.
- 5. If an expenditure, for which reimbursement from REA loan funds is sought, complies with all of the conditions specified in

paragraph "4" except subparagraph 4(d), such reimbursement may, nevertheless, be made provided it is determined that such reimbursement would be consistent with the proper protection of the Government's security interests and would further the objectives of the RE Act. Such determination shall, in the case of primary lines or member extensions, be made by the Chief of the Applications and Loans Division and the Chief of the Engineering Division. In respect of general plant items, such determination shall be made by the Chief of the Applications and Loans Division and the Chief of the Management Division (or the Power Division, as the case may be). In either case, the authority of a Division Chief in this respect may be delegated to one or more Assistant Division Chiefs.

6. As used in this Bulletin:

The term "general funds" shall mean all funds of a borrower except: REA loan funds, funds received from the sale of property and not authorized by the Administrator of REA to be placed in the borrower's general account, and repayments by consumers of installation loans;

The term "system" shall mean all of the property of the borrower, of every kind, carried in the borrower's plant account.

RESPONSIBILITY AND PROCEDURE:

1. Engineering Division: For distribution-type borrowers (excluding generation facilities), it is the responsibility of the Engineering Division to:
 - a. approve plans and completed construction by the borrower of extensions in excess of 5000 feet single-phase line as well as of all multiphase lines;
 - b. approve completed construction by the borrower of extensions of less than 5000 feet in accordance with REA standards and paragraph "1" of the above policy;
 - c. determine that construction or acquisition or addition for which REA approval was not obtained and for which borrowers seek reimbursement meets REA construction standards and determine jointly with Applications and Loans Division that such

reimbursement would be consistent with proper protection of the Government's security interests and would further the objectives of the RE Act. Such determination shall be made in accordance with paragraph "5" of the above policy.

- d. execute the policy concerning approval of extension to serve persons already receiving central station service set forth in paragraph "3" of the above policy.
2. Management Division: For distribution-type borrowers (excluding generation facilities) it is the responsibility of the Management Division to:
 - a. approve purchase of general plant items in excess of \$2000 per item;
 - b. approval of general plant items of less than \$2000 per item in accordance with paragraph "1" of the above policy;
 - c. determine that additions to the general plant for which REA approval was not obtained and for which borrowers seek reimbursement meet REA standards and determine, jointly with the Applications and Loans Division, that such reimbursement would be consistent with the proper protection of the Government's security interests and would further the objectives of the RE Act. Such determinations shall be made in accordance with paragraph "5" of the above policy.
3. Power Division: For power-type borrowers and for generation facilities of distribution-type borrowers, it is the responsibility of the Power Division to discharge the responsibilities set forth in paragraph "1" above for the Engineering Division and paragraph "2" for the Management Division.
4. Applications and Loans Division: It is the responsibility of the Applications and Loans Division to:
 - a. recommend loans for the purpose of reimbursing general fund expenditures for construction or acquisition of extension or addition to a borrower's system that have been made in accordance with the above policy and as approved by the Engineering, Power or Management Divisions in accordance with their responsibilities as herein set forth;

- b. determine jointly with the Engineering, Power or Management Divisions, as the case may be, that reimbursement for construction or acquisition of extensions or additions for which REA approval was not obtained and for which borrowers seek reimbursements, would be consistent with the proper protection of the Government's security interests and would further the objectives of the RE Act.

5. Finance Division: It is the responsibility of the Finance Division to:

- a. furnish the Management, Power and Engineering Divisions a list of borrowers in default in the payment of their Government obligations;
- b. approve requisitions and advances of funds;
- c. maintain REA records on approved construction;
- d. establish accounting procedures for borrowers;
- e. audit borrowers' expenditures of loan funds.

This Bulletin supersedes all existing instructions in conflict with the provisions of this Bulletin.

Claude R. Wickard

Administrator

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